

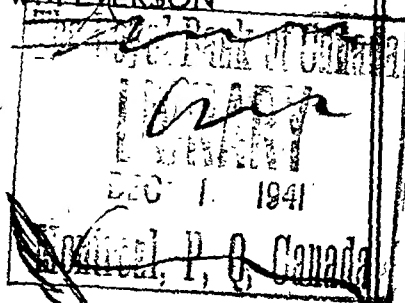
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SOCIAL CREDIT

A Critical Analysis

by

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PREFACE

These pages contain my expressed views on the social credit philosophy as I see it. It is proper to emphasize at the outset that I have always been temperamentally unable to take party politics seriously. I, therefore, write as a life-long non-partisan, claiming the privilege to use my common sense in the consideration of current public affairs.

Few intelligent persons are satisfied with the present economic set-up in the West. Our main export products are normally sold under the terrific stress of cut-throat competition by white, black and brown nations, while our domestic purchases are made in a high wage economy, guaranteed by a protective tariff. Add to this handicap a succession of crop failures, aggravated by phenomenally low prices, and it is easy to visualize a state of profound general distress and violent protest. Into this picture emerges Mr. Aberhart, evangelist, with the prestige of a strong religious background, offering the concrete promise of leisure and plenty for everybody. His victory at the polls was inevitable. He, and the Douglas theories, were simply accepted on faith.

Failure to make good is now plausibly attributed by the S.C. crusaders to the machination of an intangible "money power." Tens of thousands of decent, trusting people, many of them in dire distress, are, of course, bound to be disillusioned. Can they be brought to realize that failure will be due to the unsoundness of the plan itself, or will the superstition prevail that it will be caused by conspiracies of powerful adverse interests, thus aggravating the present dangerous social unrest? That is a question of profound public interest. Those who have thus recklessly raised high hopes in the breasts of desperate people, bear a heavy political responsibility.

I have been a very patient commentator in respect to the social credit movement in Alberta for some years. My mind at first instinctively and completely rejected the theory as contrary to common sense, but knowing that a large number of presumably intelligent people were convinced of

its soundness, and that a majority of Alberta electors voted for it, I deemed it my duty to study the subject conscientiously, intensively and hopefully.

Let me just add that this booklet, which is only one of many I have from time to time felt impelled to write on various economic subjects, is published solely because I now conceive my home province to be in imminent jeopardy. Its political effect, if any, would be purely incidental and fortuitous.

C. W. PETERSON.

INTRODUCTION

Two thousand years of Christian influence has unfortunately made only a small dent in man's moral attitude. To be sure we have been educated and can read and write, but our greater intellectual attainments have apparently only added to our cunning and rapaciousness. Consider that many of the most brilliant scientific and mechanical minds are at this moment devoted to the devilish task of making war and human slaughter more horrible than ever. To spray devastating gases over towns and cities. *That within the present enlightened generation the objective of warfare has actually changed from the field of battle, where man meets man, more or less in fair combat, to the wholesale poisoning and maiming of defenceless women and children in centres of population.* "Man's inhumanity to man" could scarcely reach lower depths of ruthless infamy and blind, passionate fury. The last vestige of chivalry has departed.

What, in fact, is the use of planning fancy Utopias for this imperfectly trained ape only a step removed from the beasts in the jungle? If anything stands out clearly in world history it is this: The economic and social life of mankind — ever urged forward and upward by the irresistible pressure of idealists and reformers, who thus perform a useful function — improves, on the whole, rather faster than the human unit is able to adapt itself and rise to the new conditions and new responsibilities. *In other words, the tempo of our social and material progress has, if anything, been*

too fast rather than too slow. It is always a long step ahead of man's educational and moral equipment.

Those impatient souls who bitterly complain of social injustices still inherent in our economic structure, should ponder over these facts. It is so fatally easy to construct on paper the sure way to Utopia. But the simple, and also the only effective formula is: *To induce all people to consistently practise the teachings of Christ. Here lies the whole economic and social problem in a nutshell.* We will approach Utopia precisely at the same rate at which the human unit learns to adopt the Golden Rule in all his dealings with his fellow-man. We can, and do, successfully "tinker," here and there, with our present set-up, but any real, comprehensive forward movement involves, first and foremost, the spiritual regeneration of man himself. Or, I should add, *his submission to slavery under a ruthless dictatorship.*

THE "NEW ECONOMICS"

Some years ago Major Douglas entered the lists with a new scheme guaranteed to abolish poverty, taxation and war and to ensure relief from burdensome labour. The "New Economics" sponsored by him is based largely on the monetary theories of Morrison and Corrison, the latter an outstanding mathematician. The "national dividend" is apparently borrowed from the "industrial dividend" of a noted French economist of the last century. The A plus B theory is an old story amongst economists. This "age of leisure" comes from the technocrats. The whole has gradually been systematized ~~by~~ Douglas under the name of Social Credit. Those who have sincerely studied the writings of Major Douglas will agree that it is an exasperating task. His mind evidently functions according to the advice of a famous cynic: *"If you would make your doctrine immortal, make it incomprehensible, for then no one can prove that it is wrong."*

He is a skilful propagandist and word-smith, a pastmaster at mystification and ambiguity, with a highly developed persecution complex — seeing a "financier" with a false beard watching him behind

every bush and conspiracies hatched by statesmen and bank governors (who probably do not even know his name) to encompass his destruction. He takes himself very seriously indeed, and it is apparently all strictly in tune with the man's very peculiar mentality. He paints an inspired word picture of the New World, drawing "National Dividends," *but nowhere in his books does he indicate how this modern miracle is to be practically accomplished.* He counsels his followers to demand *results*. When the time comes he will explain the *methods*, but not until then. All of which is very dramatic and mysterious and not a little insulting to one's intelligence. *In plain English, rational people are asked to support a fantastic, economic theory without the least intimation as to how, or whether, it can be translated into a practical policy.* Political history shows no parallel!

He deals principally with the obvious faults still inherent in modern society, but ignores the tremendous social progress which has actually been made during the past century through a more or less orderly process of trial and error. Criticism of things as they are is not a difficult task in a society which, under stress of hysteria, stages great wars every generation or so, heedlessly sacrificing billions of treasure and millions of human lives, while poverty is rampant in their midst, on some such trivial issue as the murder of a half-witted archduke and his wife in a remote European country. Mankind, being what it is, human society must clearly still be far removed from that state of perfection our impatient reformers dream about.

STARTLING THEORIES.

Douglas advances the new and startling theory that debt is an illusion to be corrected by peculiar accounting methods, interest charges an imposition and the creation of purchasing power, a mere currency manufacturing process. The man who by sacrifice has saved money and lends it to a brother man is some sort of a criminal and the modern banking system, designed to mobilize and invest such savings, is a public menace — a blood-sucking parasite. Based on these theories he expounds a

unique, economic system under which he completely reverses the accepted theory of government, making the state support the individual by means of a "national dividend," instead of the individual supporting the state through taxation. Labour and production is to be entirely optional.

Most sensible people have always laboured under the apparently erroneous impression, that the sole driving power of our intricate social machine is production, the velocity of which determines our standard of living. Also that it cannot be driven by ornamental slips of paper and fountain pens. Can we seriously imagine a state of society where the citizens, or even a large proportion of them, calmly sat down in idleness attempting to exist by exchanging Aberhart dividend "tickets" with each other? The eternal truth is, of course, that hard and honest labour is man's inheritance, all of which is revealed in the Holy Bible, which has not yet been superseded by the revelations of Douglas. The welfare of mankind, in fact, depends on one thing only — production. That is the keystone in the economic arch.

UNIVERSAL SCEPTICISM.

Social Credit has been before the public for a number of years. So far it rests on mere theory, never having been put to the practical test. Libraries in several languages have been written on the subject and widely circulated all over the world. Douglas, the master propagandist, has skilfully caught public imagination. The "*Vancouver Province*" in a recent editorial very aptly says:

"If Social Credit has really the seeds of the millennium in it, why do not some of the British political parties take it up? Why does the Labour party not espouse it? It cannot be held that this party is tied to the banking and moneyed interests. It is a party of intellectuals as well as of workers. It has in its ranks numerous economists capable of examining the Social Credit theories and reporting upon them.

"But the Labour party, greatly though it needs a rallying cry that would appeal to the popular imagination, will not touch Social Credit. When Social Credit is thus suspect in its home, there seems good warrant for going slow about it in Canada. Why should the Dominion be torn constitutionally to test a theory which is apparently too woolly or too dangerous to be tried out at home?"

One might very properly add, why has Social Credit no following in the United States, with its venturesome public always ready to acclaim a Long, Townsend or any other leader of peculiar movements? Why have France, Italy, Germany or Austria — wallowing for many years in the deepest depth of general poverty and financial demoralization, and largely in the hands of dictators, able to impose their will on the people without opposition — failed to embrace this apparently easy way out of their dilemma and into a blessed state of peace and plenty? Why have the progressive countries of Scandinavia, all under strong proletarian government, failed to see the light?

THE VERDICT OF COMMISSIONS.

Nor does the fact tend to inspire confidence, that every Royal Commission within the British Empire, before which Major Douglas has by invitation appeared to explain his scheme, has, after painstaking investigation, completely rejected his theories. That all these commissioners — eminent men, such as Lord Macmillan — were prejudiced or corrupted by powerful financial interests, as has actually been suggested, is too ridiculous a charge to be seriously entertained. Unless they were inhuman, they could be no less anxious to rescue the world from poverty and misery than Major Douglas.

The report of the Royal Commission on Banking in Australia has just come to hand. This body made a thorough study of social credit and repudiates entirely the Douglas "new economy." *In the recent elections every solitary social credit candidate was defeated.* In the face of all this overwhelming evidence, it is difficult, even for those anxious to be convinced, to blindly accept the Douglas plan. The Major labours, of course, under a very heavy handicap, because no person is capable of dealing intelligently with economic issues, who does not possess a profound, detailed knowledge of the general agricultural problem, affecting directly 67 per cent of all the people on earth. Of this, Douglas and his "technicians" are obviously hopelessly ignorant.

FALLACIES OF DOUGLAS

The corner stone of Social Credit, according to Douglas, is "that production is not self-liquidating," meaning that the money outlay on production is not sufficient to pay for consumption. He argues that the present tremendous world debt is proof positive of his contention. That seems a very far-fetched theory. Any number of people and corporations have no debts whatever. Public debts are largely the fruit of colossal and unprofitable war expenditure, coupled with general extravagance and the enormous and ever-increasing cost of social services. Private and corporate debt and bankruptcy are due to a dozen factors. Bad management, crop failures, loss of markets, low prices, insufficient capital, etc., etc. I fail to see that the Douglas theory fits into the picture in any substantial way anywhere. In fact, I see no connection with it at all.

The Douglas "theorem" is one of these glittering generalities, which sensible people will not waste time on proving or disproving. The sum of human experience over the centuries shows conclusively that Douglas is wrong, or the whole economic machine would have come to a full stop long ago. He often tries to dismiss criticism by asserting that the proof lies in the field of higher mathematics. Those tactics are quite characteristic of the man, and his followers dutifully repeat the same convenient alibi. Any intelligent person should know, that his famous "A plus B Theorem" can either be demonstrated by simple addition and subtraction, or it cannot be demonstrated at all. Furthermore, a great economist once said: "*All great economic truths are simple and easily understood.*" He said nothing about higher mathematics. Few, if any, reputable economists agree with Douglas.

THE CULTURAL INHERITANCE

Douglas does not offer us a monthly pension purely on compassionate grounds. He boldly claims that we are justly entitled to the cash equivalent of our "cultural inheritance." He seeks to convince us, that we have an inalienable right to draw a monthly income for life *based on that*. If he means what he says, his theory

seems about as fantastic to me as attempting to capitalize the Holy Bible or the ancient classics and deluding credulous people into believing, that they are rightfully entitled to draw a monthly "cash-on-the-nail" dividend because these immortal works were produced many centuries ago.

But perhaps he does not mean precisely what he says, but uses the word "cultural" in the wrong sense. He probably means "mechanical" or "material" inheritance. If so, he seeks to establish the fact that the present generation has a *monetary* interest in them. We certainly profit every day by the accomplishments of the intellectual giants of the past. We profit every moment of our lives by the wonders and comforts available to us all by reason of research and invention of the past, but the idea that in addition to all that we should be paid cold cash as a "dividend" arising out of the work of Stephenson, Edison, Marconi and others seems a preposterous theory.

We reap our full benefits in a higher standard of living, for which we should be eternally grateful to those supermen who went before us. I see no grounds or basis for monetary claims. No one has a 'right' to payment by the state except for service rendered. The state owns nothing but what it takes away from its tax-payers. The citizen supports the state — not the state the citizen.

THE MYSTERY OF MONETIZATION.

Social Credit leaders have created a popular political campaign asset out of high sounding and awe-inspiring, but utterly meaningless, words and phrases. We hear much about the "big shots" the "money power," the "tyranny of high finance" and other oratorical morsels dear to the demagogue's heart. Shining examples of these extravagant and nonsensical appeals to popular applause, are to "monetize the credit of Alberta," and to "monetize our inexhaustible natural resources." Everything is to be "monetized" for the benefit of the down-trodden citizens.

To "monetize," my dictionary tells me, is "to form into coin." In other words, to borrow money against an asset or to raise money by the sale of it. There can be no other meaning to these phrases. I always

thought that our burdensome public indebtedness had accomplished that purpose already. The fact that we are unable to meet the interest charges on that debt in full, would seem to indicate, that we have actually "monetized" it now far beyond the safety limit. How, under these circumstances, we can "monetize" our assets all over again, is a mystery social creditors find it inconvenient to explain.

Developed natural resources have been alienated from the Crown long ago and have been "monetized" by the present owners. The province has no further interest in them, except as a source of taxation, which Mr. Aberhart most assuredly has already utilized to the fullest possible limit. *Undeveloped natural resources remain undeveloped for one reason only, namely, that they represent no present value or only a far too remote speculative value. In plain English, there is nothing to "monetize," until adventurous people can be induced to risk their time and capital in developing these resources: then at once they will be "monetized" by an impecunious government, for the benefit of the people of Alberta, in terms of selling price, rental or royalty. But it can only be done once.*

We possess, to be sure, billions of tons of low-grade coal, useful for heating purposes, for which, however, there is no demand in sight which would pay the cost of bringing it to the surface and to the market. We have, by the same token, billions of tons of high-grade ice in the Arctic, useful for refrigerating purposes, but the problem of bringing it to Brazil intact is at present insoluble. Our proudest, inexhaustible resource is our soil. But our hard-stricken farmers have, unhappily, been compelled to plaster so heavy a mortgage liability on it, that in many districts, considering the heavy taxation, there is no equity left. If Mr. Aberhart has any clever little plans up his sleeve for further "monetizing" this asset, our farmers would like to hear about it. They could use it themselves.

This whole "monetization" plan is pure, unadulterated humbug, designed to convey to unthinking people the illusion of vast, untapped wealth furnishing a plausible basis for the perpetual payment of

"dividends," which we, the people, fortunate owners of a magnificent and profitable estate, are justly entitled to. P. T. Barnum himself could not have invented and perpetuated a more transparent and cruel "hoax."

CONTROL OF CREDIT

A special favourite with Social Credit speakers is: "*Alberta must gain control of her own credit.*" What a hope-inspiring sentence! How often we have heard it over the radio. What credit? When these people use the word "credit" it is, of course, quite apt to mean "debt." One never knows what this term is really intended to signify on the tongue of a social credit phrase-maker. Taking the conventional meaning of the word, Alberta has now, and, unfortunately for the suffering tax-payer, always has had, unlimited control of her credit. The impressive size of her public debt is painful evidence of that sad fact. If, however, "control of credit" is intended to mean liberty to issue carloads of "phony" paper currency, or the equivalent of currency, *it is very certain that such a privilege will never be granted a province as long as Confederation endures.* If social credit leaders are waiting for any such miracle, they are assuredly waiting in vain.

For this we should be eternally thankful to those who had the foresight to guard us legally against such abuses as are here clearly contemplated. Furthermore, it is equally certain that Mr. Aberhart will not now be conceded even the privilege he illegally arrogated to himself when he launched his idiotic "scrip" scheme. He will, in the future, undoubtedly be held strictly to the letter of the law. The social creditor craftily seeks to convey the impression in the minds of credulous listeners, that this "credit control" is now nefariously being withheld by existing "money power" conspiracies, which, of course, is manifestly false and utterly ridiculous. Federal currency control was written into the laws of Canada at the time of Confederation by the patriotic and honoured founders of this Dominion, who were not "bankers' toadies," long before present-day financial "big shots" were born, or while they were still in their cradles.

Those ignorant people who actually believe, that — aside from a very limited number of abnormal and morally deficient “money machines,” lacking entirely any sense of social responsibility—our citizens of substance—many of whom are continually contributing millions for educational and social purposes — would knowingly conspire to obstruct any feasible plan to abolish or ameliorate poverty, and be actually aided and abetted in so doing through corrupting our responsible statesmen, *simply must have minds like a sewer*. These men may be shrewd, and some of them not always over-scrupulous in business affairs, but in their human relations they are, on the whole, just as unselfish, public-spirited and humane as the wealthy Major Douglas and the well-to-do Mr. Aberhart.

THE DOUGLAS AGE OF LEISURE

“It has been estimated that two hours per week of the time of every fit adult between the ages of eighteen and forty-five would provide for a uniformly high standard of physical welfare under existing conditions, and without endorsing the exact figures it is perfectly certain that distribution and not manufacture is the real economic problem and is at present quite intolerably unsatisfactory.” —(*Douglas in “Economic Democracy.”*)

“Some of you voted for work and wages because you thought that was the solution to the problem, but it was not. We don’t want work and wages. What we want is purchasing power. If we had purchasing power we wouldn’t need anything else. By doing a little bookkeeping properly we could live off the fat of the land. I don’t want to work, and I’m sure you people don’t.”

—(*R E Ansley, M L A.*)

The mind of Major Douglas harbours many new ideas. He does not in the least agree with the admonition in the Good Book about “eating our bread in the sweat of our brow.” We should all do only the least possible amount of work. He welcomes unemployment and extols its virtues. Why should genius starve in a garret as of old? He sees the budding poet, with his national dividend secure in his pocket, strolling through sunny glades carefree and composing masterpieces. With our extensive mechanization, the time has surely come, when man can live in luxury working only a couple of hours a day at some congenial occupation and if he does not choose to do so, living a life of leisure on his “dividend.”

All of which is decidedly half-baked. Weird ideas without the least foundation in fact. The popular illusion of abundance is created simply through the temporary over-production of a few natural products. Burning of unmarketable coffee in Brazil and so forth. Aberhart's favourite allusion to "starvation midst plenty" is wrong on both points. There has been no starvation in Canada. The unemployed have been fed. I shall show that there never has been "plenty."

There is no such thing as "surplus" production. There will be none for generations to come, if ever, because there is no calculable limit to human wants. The mission of invention and mechanization is *not to provide leisure, but to widen consumption through lower prices, thus raising the general standard of living and to eliminate hard, muscular labour.* Working hours will normally be adjusted solely to the point of greatest efficiency in each line of production as indicated by experience. Leisure is merely a desirable by-product. The eight-hour day in industry is now generally regarded as the most humane and efficient. Douglas, with his ridiculous two-hour-day propaganda, conveniently ignores the, more or less, compulsory 12 to 14 hour day in agriculture, now enslaving two-thirds of the world's population. *Western farmers are breathlessly awaiting detailed explanations.* The core of the present economic world distress lies precisely in the fact, that organized urban producers, perhaps wisely, will not work as long hours at so small a reward as the countryside is ruthlessly compelled to do, at least in food exporting countries. That leads to unduly high prices, curtailed consumption and widespread unemployment.

THE BROOKINGS' INVESTIGATION

Douglas and his disciples should study the recent report of the "Brookings Institution" of Washington, embodied in the volume "America's Capacity to Produce." This is the result of four years of intensive, technical investigation by a body of outstanding economists, headed by Dr. Harold D. Moulton. It was clearly demonstrated, that in the boom year 1929 the *unused capacity to produce was less than 20 per cent of*

America's total equipment and manpower. Also that up to that year the percentage of unused capacity had been fairly constant at that point. In other words, only 20 per cent more goods could have been produced in any year.

On the other hand, investigation into the field of consumption, published in a separate volume, brought to light some startling facts. I shall quote Dr. Moulton's own comments:

"The first finding of the Institution in this connection was that the country suffered from no physical inability to consume the extra 20 per cent. It was not true, in other words, that the cause of the whole economic collapse was the "excess plant" of which certain economists used to talk. The proof of that was simple. Families having incomes of \$2,500 a year or less spend practically all their incomes for bare necessities.

"These families therefore are practically without conveniences or luxuries. Since, even in 1929, there were almost twenty million such families and since twenty million families constitute approximately 70 per cent of the total population, it is evident that almost three-quarters of the population were without, and were therefore potential buyers of, luxuries and conveniences. And since twelve million of these twenty million families had incomes under \$1,500 in 1929 and six million had incomes under \$1,000, it is probable that many of these people were also potential buyers of unbought necessities as well.

"The same point may be made in reversed terms by saying that in 1929 only two million families, or 8 per cent of the population, had incomes over \$5,000 and only 600,000 families, or 2.3 per cent had incomes in excess of \$10,000. It was to this meagre 8 per cent that most of the conveniences and luxuries manufactured in America in 1929 had to be sold if they were sold at all. So far are we then suffering from "excess plant" that a 75 per cent increase in production would be necessary in order to supply the entire population with the goods which the Department of Agriculture considers essential to a 'reasonable' standard of living."

It is, therefore, clearly shown that in the United States, the most highly mechanized country in the world, if every man and every available machine had been put to work, that country could not have produced one-half of the goods needed to give its whole population even what its own Department of Agriculture regards as a satisfactory minimum standard of living. In Great Britain. Major Douglas' own home, the problem would be entirely beyond solution. The "Age of Plenty" is a mere myth. *What assurance have we that he is not also hopelessly astray on other important theories involved in his system?*

THE NATIONAL DIVIDEND.

The central aim of enlightened statesmanship in civilized society is very properly to abolish poverty. Communists would solve the problem by confiscating all private property, placing it in a common pool and offering the citizen such economic security as the aggregate production of the state would permit, in return for submerging his individuality and submitting to a state of virtual slavery. That, at least, is a clear-cut, feasible and comprehensible programme.

But the Social Crediter pretends to abhor Communism and seeks his remedy within the capitalistic system. He proposes, in some way yet to be explained, to pay each citizen \$25 per month out of a mysterious fund, created God knows how, but not, we are told, through the direct and simple—but exceedingly painful and admittedly impossible—medium of taxation. The Social Credit leaders picture for their followers a new, strange and unreal economic world. "Make-Believe" is the ruler. Most of the rank and file of social creditors firmly believe, that the dividend is, in some mysterious way, to be paid out of "natural resources." That, of course, is absurd. Production arising out of developing our natural resources belongs to the worker exclusively. *Our farmers do not give their wheat to the government for free distribution.* The government can have no proprietary interest in production, except through taxation.

IS THIS BEDLAM?

We are told that paper currency is merely "tickets," orders on real wealth, all of which is perfectly true. In the next breath, however, we are informed that a perpetual scarcity of these despised "tickets" is to blame for all the economic ills of the nation. The two theories do not seem to hold together. Responsible Ministers, acting on the advice of feeble-minded "technicians," suggest to the banks that it is their duty to print unlimited currency and pay a pension of \$25 per month to every citizen of Alberta, free, gratis! The banks, being by law absolutely prohibited from complying with any such insane proposal, the malevolent S. C.

leadership at once gleefully proclaims from the pulpit and platform, that they have "refused to co-operate," without also explaining the insuperable legal obstacle in the way! This is a sample of their immoral propaganda. Why that suggestion is not handed to the Federal Government, which, controlling the Bank of Canada, issues as much currency as the chartered banks do and might for obvious reasons take a more sympathetic view of the request, is not revealed. The Chairman of the Social Credit Board, the real leader of the government, actually states, that he sincerely believes the banks can pay a two-million-dollar tax by simply "creating" this amount! *Are we living in Bedlam?*

"Tickets" or "Orders" entitling the holder to the equivalent value in commodities and services in the open markets are to be issued. That is the central idea in the Social Credit theory. The proposed \$25 "ticket" presumably entitles the holder to demand "real wealth" up to that amount. That is, commodities produced by the labour of others. This puzzling question then confronts us:

How can we hand over to one citizen, as a free gift, \$25 worth of such commodities, without confiscating by taxation the equivalent, plus administration cost, from the production of another citizen? I suppose, no sensible person will deny, that if anyone—be it government or individual—gives Brown an order for \$25 worth of goods, and he buys with it a suit of clothes from Smith, the party which issued the order—in our case the Government of Alberta—must assuredly pay Smith the full amount of the order. Payment for goods and services must necessarily be made by other goods and services. A slip of paper, whether issued by Mr. Aberhart, by the Federal government or by a bank, is not payment. *It is merely a promissory note.*

THE CRUCIAL POINT

We now come to the crucial point in the whole Social Credit theory. How can a government pay out Ten Million dollars each month in "dividends" to its citizens without raising the money by taxation so as to redeem its checks or orders for

goods? The government clearly cannot go on issuing "orders" and still more orders, month by month and year by year, indefinitely. Mr. Aberhart himself saw that clearly and asked Hargrave point blank how it could be done. So far no one has explained the mystery.

There is, of course, nothing whatever to prevent any government, which has the power to do so, from printing and distributing millions, or billions, of paper currency. France, Italy, Germany, Russia and other countries did precisely that after the war. The value of this kind of "new money," however, deteriorated steadily, *although all the resources of these great and powerful nations were behind it.* Travelling through Germany I had the unique and informative experience of paying enough billions of this depreciated money for a plate of soup, to retire completely the total bonded indebtedness of the German State Railways! Since then I have not been very much impressed with unregulated paper money, backed merely by the resources of a State. In fact, social credit is, I fear, due for a rude awakening if an attempt is made to issue unlimited paper currency on the strength of Alberta's resources.

THE JUST PRICE.

Douglas, as I understand it, hopes to prevent monetary collapse by price control. It is true that some nations do now regulate the prices of a few staple food articles. *But no country in the history of the world has ever undertaken the gigantic and utterly impossible task of effectively controlling the ever fluctuating prices of each of the thousands of items of goods and services, all the way from needles to coffins, which we buy and sell daily.* It simply is not practical. Even if it were, can we go on for ever issuing cartloads of paper money year ~~by~~ year, expecting dealers to go on accepting it in payment for real butter and eggs? *Neither printed tickets nor fancy bookkeeping entries will make socks to wear, bread to eat or houses to live in.* That takes real labour and we all live merely by exchanging labour and services with others. There is no other way for the ordinary man to gain a livelihood, except by inheritance, by charity or by robbery.

Dr. Virgil Jordan, a noted educator and economist, puts the case in a nutshell when he says:

"The prosperity and security of all the people in this country have come and can come only out of the work they do. The amount of prosperity and security they can have at any time depends solely upon the combined effort of mind and muscle which they are willing and able to apply in using the natural resources of the country to produce the necessities and comforts they consume and exchange, and the tools and machines they need in order to produce as much or more in the future. The more work everyone does, the more people there are who work, the harder and longer and more effectively they work, the more prosperous and secure they will be. There is no other way."

Qucer money, tricky book-keeping systems and loafing citizens occupy no place in Dr. Jordan's simple economic formula, which every thinking person instinctively knows is sound and true. So I utterly fail to comprehend exactly where the place is in any human society—be it capitalistic, communistic or any other kind—for the voluntary drone, existing on a so-called "social dividend" and steadily consuming goods, towards the production of which he renders no services whatever. Furthermore, I would regard the principle of able-bodied men being normally maintained in idleness by the community as degrading and wholly indefensible.

SCARCITY OF CURRENCY.

Our cheerful S. C. orators have travelled up and down the countryside proclaiming far and wide, that all our troubles would end with a more liberal issue of currency. That the banks deliberately curtail the issue of this supposed "life blood" of trade. As a consequence of these assertions, a great many people now complain of the "scarcity" of money under the vague impression that the currency issuing authorities deliberately dole out this paper money on a scale so niggardly that people actually suffer want as a consequence. That, of course, is a wholly fantastic theory. One wonders what earthly object there could possibly be behind any such idiotic policy. Of course, currency flows into trade day by day only as and when it is needed. The operation of this is purely automatic. There is no such thing as "scarcity of money" to do the normal business of the country. No one could

possibly profit by attempting to withhold currency needed in circulation.

When we complain of "scarcity of money," we merely use a popular figure of speech. *What we really mean is that the opportunity to produce or serve or sell, so as to earn a satisfactory living is unduly limited. That our earning power is, therefore, temporarily restricted.* That, of course, has no connection whatever with the printing and normal circulation of these intrinsically worthless "chits" we use as currency. *We might as reasonably attribute travel being light and unprofitable to a scarcity of railway ticket forms.* If some of us have little or no money at any time, the reason probably is that, owing to crop failure, loss of markets or lack of balance in our exchange system, production, consumption and employment are at a low ebb.

THE DISTRIBUTION OF WEALTH.

The demand for a more even distribution of wealth is as old as civilization. It is a noble objective. We are born into, we live, we die in a society where our livelihood is gained by exchanging our products and services for the products and services of others. The distribution of wealth is, therefore, for all practical purposes, governed entirely by the valuation which society, in its wisdom, places on each class of goods and services. That determines our purchasing power. Powerful and selfish occupational groups constantly contrive to enforce too high a valuation of their own goods and services. Unorganized groups suffer in purchasing power accordingly. Gain to one group is loss to other groups. The great and hitherto unsolved problem of mankind, is to maintain a fair and just exchange basis, *i.e., a reasonably equitable price level.* *There is no other way to distribute wealth more evenly, except by gift.* To consider intelligently the general distribution of purchasing power, we must first of all eliminate from our minds entirely the subject of *money and currencies.* Those do not represent purchasing power. Currency is merely a purchasing medium, provided solely for our convenience. To illustrate: When a farmer receives a dollar bill for his eggs,

goes to the store and exchanges it for sugar, the dollar bill was merely the purchasing medium. The eggs assuredly bought the sugar. It seems to me, that this simple, economic truth — coupled with the demonstrated absurdity of Douglas' "age of plenty and leisure" — apparently demolishes the whole social credit theory.

It is an important fact worth remembering that *money could be abolished completely over night without any direct effect on our productive system, as such.* Normal buying to satisfy our daily needs would still go on and normal purchasing power would, therefore, still survive. We would merely need to resort to barter, as humanity did for thousands of years before money was invented, which would, of course, be very stupid. We find, then, that money is a great convenience in our daily lives, *but it is only a convenience and is not at all indispensable.*

If we agree on that point — and I fail to see how any thinking person could disagree — it also follows, that those who pin their faith to any kind of magic monetary or currency schemes to facilitate the more even distribution of purchasing power are labouring under a popular illusion. There is no salvation in that direction that I can see. *The only possible ways to distribute purchasing power are through wages and prices paid to the individual for production and services rendered, through private gift and through the distribution of public funds previously collected by taxation.* Whether this is paid in currency or in kind does not affect the principle involved in any way. Money plays no essential part in the process. The increased production of real wealth is the only method of increasing the general purchasing power of any community or of the individual citizen. That is the crucial point upon which we should all focus our attention. *Neither the banks, nor Major Douglas, can "create" purchasing power.*

THE FARMER AND THE NATIONAL DIVIDEND

The nationalization of the land under a social credit regime, is a contingency clearly facing our agriculture. I quote from Hattersley's case for social credit:

"A little reflection will show that if it were thought good for the greater part of the land to come once more into the ownership of the State, the rents of such land would form an ideal source for the payment of National Dividends . . . "

Evidently this author is not a believer in the "fountain pen" method of financing the "dividends."

Granting that the National Dividend, the central plank in the Social Credit platform, proves entirely feasible, the question still arises whether the \$25 a month promised could possibly create anything like agricultural prosperity and contentment, where crop failure often mulcts the farmer to the tune of thousands of dollars in a season and when he has to sell his products at "fire sale" prices. *If, by the way, there is only \$25 per head of population available for distribution each month, why pay it to the thousands of comparatively well-to-do people in our towns, merely so that their women may buy additional finery, when multitudes are in dire need on the land?* It seems a senseless policy to me, absolutely out of tune with the agricultural distress we see all around us.

What price will the farmers of Alberta, upon whom all classes depend for their prosperity, be expected to pay for the privilege of receiving \$300 a year? Douglas long ago laid down the leading principle that Alberta must at once proceed to build up a large fund in legal currency wherewith to finance payments outside the province. The recent report of the "Planning Committee" of the Legislature outlines the procedure. Incidentally, this committee reduces the National Dividend from \$300 a year to \$60 a year! This is the proposed set-up:

The Provincial Government is to create a marketing organization to handle all our export products, such as wheat, butter, livestock, coal, etc. Those the government will then sell and collect the legal currency in payment of these products, but will pay the farmers and other producers in a new kind of scrip or currency, which it apparently has no legal right to issue, and legislate so as to make this currency acceptable within the province, which also is beyond the power of a provincial government.

Farmers are thus to be paid for their wheat and livestock in a provincial scrip, which has no standing and has nothing behind it but the nebulous assurances of a financially embarrassed province, now in default on its public debt and unable to redeem its own saving certificates. And the Alberta government will collect the legal currency arising out of selling our wheat, livestock and coal and expend it on external payments. *Is all this inconvenient, expensive and elaborate machinery worth while in return for a National Dividend now reduced to \$60 per annum?*

THE CANADIAN BANKING SYSTEM

There would be no useful object served in dealing at length — or, indeed, at all — with the banking situation in this publication, were it not for the fact, that social credit speakers have created a leading issue of it and have injected it prominently into their propaganda. Such being the case, a somewhat full review of our banking system cannot very well be avoided in any intelligent discussion of our subject. This is my sole reason for dealing with the banking controversy at apparently undue length.

Let me state quite clearly and emphatically that the banking system of Canada, has, as far as I can see, neither the opportunity, the ~~genius~~ nor the power to "abolish poverty," nor even to help or hinder to any substantial degree the fortunes of the average citizen. Its influence for good or for evil cannot possibly touch the vast majority of people, who do not have to go near a bank unless they want to. To picture the banking business as the key and pivot of our whole economic fabric is a distortion of facts — a gross and easily proven falsehood.

One of the things to bear in mind is, that the banking and general financial system of Alberta and of Canada, is, by and large, exactly the same as that which prevails in every other civilized country in the world — in republican France, in socialist Denmark, Norway and Sweden, in fact, everywhere the world over, including Great Britain and all the Dominions and colonies. Citizens of Alberta

are the first civilized people who have actually discovered that this universal banking system is leading the world rapidly to the brink of disaster and is gradually enslaving the unfortunate citizen.

THE NOTE ISSUE PRIVILEGE.

A great point is made of the power of our chartered banks to issue paper currency. I have seen no reference to the fact, that under the banking legislation of 1934 this power was curtailed by a general reduction of such issues over ten years, so that by 1945 these issues are reduced to 25 per cent of their paid-up capital, a mere trifle. Also that this enactment clearly foreshadows the complete abolition of this privilege, which now bears a tax of one per cent of the issue.

The note issue privilege was not conferred on the chartered banks merely for the purpose of adding to their profits. It was done because it was realized, that a pioneer country like Canada needed a banking system able to extend liberal credits to agriculture and business — the "Douglas fountain pen" not yet having been invented! It was very properly feared, that under the stress of any seasonal high pressure on bank resources, such as the annual marketing of the crop, an inelastic currency system might at times be compelled to unduly restrict legitimate commercial and agricultural loans with detrimental results. The same practice was adopted in the United States and in other countries for precisely the same sound reason.

LEADING QUESTIONS.

Some queer questions are propounded by those who are active in the anti-bank campaign. Here is a sample:

"Since there is only about 200 millions of dollars in cash (legal tender) in existence in Canada, if the banks were called upon to meet their liabilities to the public, how could those assets be converted into cash? You must be aware, along with thousands of people who had real assets in the shape of farms, factories and securities in 1929 when the depression came, that such assets are not legal tender."

If every person in Canada all of a sudden lost confidence in the solvency of banks and decided to withdraw his deposit in cash, there certainly would not be a sufficient volume of legal tender avail-

able to meet such an unthinkable situation. Such withdrawals of deposits in cash would constitute an extreme example of "hoarding." Something of the sort occurred all over the United States in 1933, which led to the famous "bank holiday," following which 11,000 unit banks failed to re-open. Such, by the way, is not an infrequent local occurrence there where banks often operate with small capital. However, sanity soon again prevailed and people got tired of keeping their money in a stocking. In such crises Canadian banks have stood firm and depositors have not had cause to worry over possible losses.

Any bank with an undue proportion of "frozen" loans, facing such a demand, would be obliged to close temporarily and might conceivably fail, and the unfortunate shareholders would be compelled to contribute under the double liability clause towards paying the losses. All of which would clearly indicate, that these supposedly all-powerful institutions, now charged with ruthlessly dominating the economic life of the nation, are actually completely dominated by their depositors. Banks can operate profitably only as long as they retain the confidence of their customers and serve them efficiently. And precisely the same inexorable rule applies with equal effect to the corner grocery store and every other competitive business.

In any such emergency, however, these banks then would no doubt be very curious to learn more about Douglas' magic "fountain pen formula" and how its use could extricate them from insolvency. It would be priceless information to them. But, alas, there is no such easy way out of insolvency for banks or for anyone else. They occupy no preferred position in the economic life of the nation.

THE MECHANICS OF BANKING

Notwithstanding the theories of Douglas, there is no deep mystery about the mechanics and routine of bank loaning. It is all painfully simple.

First, a savings deposit is a loan to the bank for the use of which the bank pays a moderate rate of interest. Savings amount normally to nearly two-thirds of

all deposits. It is, of course, absolutely essential that the bank must so use these deposits as to meet the interest and its operating costs. It does so by lending this money to others at a higher rate of interest. This, everyone must agree, is perfectly sound and legitimate business, always providing that the bank does not overcharge its borrowers.

Secondly, bank loans never exceed the total amount of deposits and capital available. There is, therefore, not the very least occasion for banks "creating" credit. They loan only against the amounts actually in their possession.

Now, I am not particularly interested in the routine mechanics of banking. If someone tells me that my barber creates my hair-cut out of nothing, it would not disturb my slumbers at all. The sole question I am concerned with is whether or not he charges me too much for the job and that is the only interest any one of us has in respect to banking or financial services of any kind. The complaint by the Social Crediters is that, according to the Encyclopaedia Britannica, banks "create" credit out of nothing and wax fat on charging full interest on these "ghost" loans to the public. This, by the way, is a glaringly dishonest quotation from that reference work. It actually says, that *when banks create credit out of nothing inflation follows*, which is an entirely different story.

When a farmer produces turnips by the liberal use of cow manure and, in turn, makes beef out of the turnips and sells it at a profit, the buyers of the roasts, do not get particularly excited about it. It is merely the mechanics of agriculture, of little concern to town people. If he could make just as good beef by merely reciting certain potent incantations or wielding a fountain pen, the consumer would be quite happy to have him do so, nursing in his bosom the not unreasonable hope of eventually getting cheaper beef. If by virtue of financial magic, banks can create unlimited funds for loaning, by all means let them do so. If that is what we want, the more, the better. *That would be the sure road to low interest rates for us all.* Let me repeat, *Bank loans must be and are, based strictly on stored, real pur-*

chasing power, in their custody as savings, or under their ownership as capital. Banks, desiring to maintain solvency, can tap no other money source.

THE MOTIVE FOR SELF-DESTRUCTION.

People of normal mentality would conclude, that banks and other financial institutions assuredly would not deliberately crucify agriculture and business without a very powerful motive. We have all heard of "killing the goose which lays the golden eggs." Banks have done business in the West ever since the country was opened up for settlement, and have a very large permanent investment there. One would think that they could not possibly succeed unless agriculture and business prosper. But even to that, we are told, they are quite indifferent. *The only conclusion one can reach is, therefore, that they must be out for enormous profits, large enough to compensate them for destroying their normal business, in fact, for committing business suicide.* We shall examine the facts. It is very important we should all fully understand the inner workings of the alleged financial octopus, which, it is said, is driving us all into the poorhouse.

The crucial point is not, as I have tried to point out, how a banking system makes its profits, *but, whether it makes too great a profit for the services rendered. In other words, whether it actually robs the public.* That information cannot be obtained by just analysing its methods and mechanism, which may, or may not, appear to be conventional. This crucial fact may, however, be easily ascertained by examining its annual balance sheet and profit and loss statements, which are audited according to government regulations and tell the whole story in brief form. At this point please note the following:

"It may be asked why banks only pay a dividend of 25 per cent or so. The answer is simple. Their real earnings are measured by the control over industry which they acquire — earnings so rapid that in a few years the control will be absolute, if not checked. THE AMOUNT DISTRIBUTED IN DIVIDENDS IS, OR COULD BE, ANY DESIRED DIVIDEND ON THIS CAPITAL CONTROL."

—(Douglas in "Social Credit")

LOANS CREATING DEPOSITS.

Aside from the fact, that no bank in Canada ever paid an annual dividend of 25 per cent, or anything like it, Douglas has evidently missed his vocation. Consider his value to banks in the light of his startling discovery! But the facts, alas, do not tally with his optimistic theories.

The total investment of our banks is about 279 million dollars. In 1936 they earned less than 16 million dollars on this huge capital, or less than 6 per cent. It seems a very modest return. To do this they operated 3,400 branches throughout Canada. I was in a large department store in Chicago some weeks ago. That single concern made a net profit in 1936 of two million dollars greater than the total net profit for that year of all Canadian banks put together! No one there, as far as I am aware, suggested that it was driving the agriculture and business of the United States into insolvency. If we confiscated the entire profit of all the banks and distributed it to the people, *we would each receive an annual income of the munificent sum of about one dollar and forty cents per head, which would not go any alarming distance* towards abolishing poverty! Viewed from another standpoint, the net profit on all the earning assets of the Canadian banks is rarely, if ever, more than half of one per cent per year.

WHAT DO WE PAY FOR BANKING SERVICES?

Do the banks actually absorb too great a proportion of the national income for the services they render? A rough estimate of the proportion of the national income in Canada represented by the interest on bank loans might be made as follows: Mr. Dunning in his last budget speech referred to the national income in Canada as approximately \$4,520 000,000. The average of bank loans in Canada in 1936, calculated on the total shown at the end of each month in the Government bank statements, was \$926,000,000. Bank loans in Canada do not earn as much as 5% on the average, but taking 5% as a generous figure, the interest on \$926,000,000 would amount to \$46,300,000, or only 1.02% of the national income.

There can only be one meaning to that, namely, that included in the expenses of the average citizen, directly and indirectly, is an average charge of about one per cent on his annual income which is absorbed by the banking system. That, in brief, is approximately the total burden on the nation in return for all banking services. Distributed over ten banks it probably gives them a fair, average return on capital invested. Whatever it is, the governments have full power to tax it equitably. I cannot see that the public interest is not completely protected. Certainly banks cannot "profiteer" with impunity.

THE BANK BURDEN AND THE TAX BURDEN

At this point, I think, we should use common horse sense. The Social Crediters try to tell us that the banking system is bleeding us white, that it is the cause of the whole economic breakdown and is, in fact, the one great menace facing our civilization. *Mark carefully, that this system costs us about one per cent of our national income, while the aggregate taxation, Federal, Provincial and Municipal, absorbs twenty-five per cent of the same income.*

Now, do let us try to think straight and cultivate a due sense of proportion. S. C. spell-binders draw eloquent word pictures of the blissful state which will be our lot as soon as we have subdued or liquidated these alleged financial gorillas, how the curse of poverty will be abolished and all the rest of it. If banks rendered their services to society for nothing, and gave us loans entirely free of interest, it could not decrease expenditure out of national income by more than one per cent, which would be available to raise our living standard.

If, on the other hand, we reduced taxation from the present 25 per cent to 24 per cent of the national income, it would, of course, have exactly the same social effect! Surely this would be a much easier and saner remedy. Mr. Aberhart could have done that for Alberta by supporting Mr. Cockroft's plan to refund our public debt at a lower rate of interest through negotiation, which, however, was vetoed by Douglas, the evil genius in the back-

ground. He could have put into effect administrative economies instead of adding steadily to the cost of government. But no one waxes eloquent about so sordid a matter as taxation! Why not save our energy and enthusiasm to denounce the ruthless confiscation of one-quarter of our income by more or less extravagant and incompetent governments?

THE BANK OF ALBERTA.

The banks are held responsible for practically all our distress and for the failure of the government to pay the provincial dividend. Granting for argument's sake, that the banks stand convicted of all charges, *why waste time arguing with or cajoling a group apparently so utterly lost to business sense?* The idea stressed by the government, that banks are there primarily to serve the public, is, of course, quite erroneous. They are there, like any other business concern or, indeed, any farm, primarily to develop earnings for their owners. That is what they are organized for. To do that they must make profits, and to make profits they must render useful services. If the people of Alberta in their wisdom decide that banking in that province must be conducted as a public utility and entirely for the benefit of the public, the wholly effective remedy seems very simple. Banking in Canada is not a monopoly. There is nothing whatever standing in the way of the provincial government obtaining a charter for a "Bank of Alberta" with head offices at the capital and then establishing branches wherever it wishes throughout the province. *A proposal to that effect came before the legislature during its last session, but was promptly shelved. Why?*

Such an institution would give the Alberta Government command of banking facilities with full power to issue currency under the Bank Act and to conduct a general banking business. If government banks offered the same degree of security to depositors and provided better and cheaper facilities than the existing banks, they would easily and quickly monopolize practically all the business of the province. It would be an altogether logical step for the government to take,

having in mind its stated views on the banking situation and the apparent necessity to have control of banking in order to pay national dividends.

A CONVENIENT SCAPEGOAT.

The fact that the Alberta Government has failed to take this easy and logical way out of their alleged difficulties, demonstrates clearly that they are absolutely insincere in their vicious attacks on our financial institutions. They have utterly failed to implement their pre-election promises and see no way to do so. The people are getting impatient. Douglas clearly foresees complete collapse and is anxious to protect his highly profitable book-selling royalties, said to net him \$75,000 a year. The banks constitute a convenient and popular scapegoat, and the government is endeavouring to place the blame for failure on their shoulders. *That is all there is to the ridiculous anti-bank campaign.*

Are, in fact, these serious indictments of the banks quite rational? Have six successive years of crop failure, coupled with the lowest farm prices in history with ~~high urban wages and prices, nothing at~~ all to do with the existing economic plight in the West? If we had had six years of fair crops and good prices, could any machinations of financial institutions, or any sort of sinister conspiracies, have prevented this country from enjoying fair prosperity? *Can, in fact, human agency of any kind, nullify the disastrous effect of acts of God resulting in failure to produce, except to mitigate the calamity by taxing those who have in order to help those who have not?* Fair-minded people should ask themselves these questions.

CONCLUSION

To construct the glittering formula for the modern Utopia has been a favourite sport since the days of Rousseau, More, Bacon and Campanella. Every generation produces its own horde of enthusiastic, impatient reformers. The greater the economic stress of any period, the greater the multitude of social "witch doctors" guaranteeing to change everything — *except mankind*. I am not disposed to criticize these people as long as they confine their propaganda to more or less sound argument.

I myself heard Mr. Aberhart, speaking from a pulpit of a Christian Church, describing all those who are unable to understand and support his fantastic scheme of social dividends as "enemies of democracy." His church presumably teaches truthfulness and toleration. Mr. Aberhart knew full well that his statement was neither truthful nor tolerant. Thousands of "friends of democracy," irrespective of party affiliations, are unable to stifle their common sense sufficiently to take the Douglas theories at face value without rational explanations. I am one of them.

THE LESSON OF HISTORY.

I very frequently hear it urged in Mr. Aberhart's behalf, that he has at least "put up a fight for the people." I see no particular virtue in that fact because his fight simply has no useful aim. On the other hand, it has been extremely costly and utterly futile. Furthermore, the fight is apparently being waged for political advantage rather than for "the people." Warfare, however popular and spectacular it may be, is always unprofitable. Rational, Christian-minded persons prefer to gain their point by sensible and peaceful negotiation, which generally results in lasting gain. If, after intelligent effort, that fails, it is time enough to resort to warfare.

I do not presume to criticize those who are ready to embrace almost any economic theory, no matter how preposterous, to escape from present distress. They have my fullest sympathy. But we should all count the cost of reckless experimentation. My main criticism of Mr. Aberhart's administration is his failure to secure

relief to drouth-stricken municipalities and farmers, which was accomplished so promptly and successfully in Manitoba and Saskatchewan through friendly negotiation.

Much criticism has been levelled against former governments. They were undoubtedly extravagant and saddled us with a burdensome debt. So did most other governments the world over. The power of provincial governments to create anything resembling an earthly paradise is painfully limited. There is comparatively little they can do to improve economic conditions against consecutive, unfavourable seasons. *The best we can hope for in government is sanity and economy in administration.* In spite of all the bombastic assurances of present day reformers, guaranteeing a new Heaven and a new earth to order, my guess is that in the end history will simply repeat itself. *The time element cannot be eliminated in human progress.* That is the fact. And a sad fact.

What is wrong with our economy? That question brings us face to face with the age-old problem: "How can we influence the general price level to insure that each one of us receives a fair and just valuation for our goods and services in exchange for the goods and services offered by other citizens or groups of citizens?" This is the hitherto unsolved problem of economic justice the world over. Nothing we can reasonably do in Canada will permanently increase world prices of wheat, hogs or butter. What, then, is the economic formula which will ensure a general commodity price level fluctuating in reasonable unison with agricultural prices, so as to maintain normal farm purchasing power? That is the critical problem facing every patriotic Canadian, the solution of which lies beyond the power of provincial governments. I do not see the answer in social credit.